MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019 / 2020 SESSION

DEC5624 – INTRODUCTORY MACROECONOMICS

(Diploma in Accounting Students Only)

24 OCTOBER 2019
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 11 pages with 2 sections.

2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.

3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: Multiple Choice Questions (40 Marks)

1. _____ studies the functioning of individual industries and the behavior of individual decision-making units whereas _____ studies the economy as a whole.
   A. Macroeconomics; microeconomics
   B. Macroeconomics; standard of living
   C. Microeconomics; macroeconomics
   D. Microeconomics; standard of living

2. Which of the following is **NOT** one of the concern of macroeconomics?
   A. Inflation rate for previous quarter
   B. Aggregate output for Malaysia in the past 2 years
   C. Juru Malaysia Sdn. Bhd. shut down their operations in Klang.
   D. Government announced that the unemployment rate is in rising trend.

3. _____ is the period from a trough up to a peak in the business cycle during which output and employment are growing.
   A. Peak
   B. Recession
   C. Depression
   D. Expansion

4. _____ refers to government policy that control the money supply in the economy.
   A. Monetary policy
   B. Fiscal policy
   C. Economic policy
   D. Revamp policy

5. _____ is a diagram that shows the income received and payments made by each components in the economy.
   A. Money supply
   B. Fiscal policy
   C. Business cycle
   D. Circular flow of diagram

6. In a circular flow diagram, _____ made up the private sector and the _____ is the public sector.
   A. the rest of the world; households
   B. households and firms; government
   C. government; households and firms
   D. the rest of the world; government

Continued.....

7. _____ refers to the foreign sector which is involved in the import and export of goods and services.
   A. Households
   B. Firms
   C. Government
   D. The rest of the world

8. In a(n) _____, households supply labour, firms and government demand labour.
   A. money market
   B. goods market
   C. exchange market
   D. labour market

9. "Government announced a reduction of corporate income taxes from 20% to 15% effective from 1 January 2019." This is an example of _____.
   A. expansionary monetary policy
   B. contractionary monetary policy
   C. expansionary fiscal policy
   D. contractionary fiscal policy

10. Unemployment rate generally _____ during peak and _____ during recession.
   A. at the lowest level; increase
   B. at the highest level; decrease
   C. increases; increases
   D. decreases; increases

Continued.....

Questions 11 to 13 refer to Table 1:

No	Item	RM (million)
1.	Services	60
2.	Export	98
3.	Purchases of non-durable goods	5
4.	Personal taxes	16
5.	Government purchases of goods and services	26
6.	Retained earnings	7
7.	Transfer payment	1
8.	Net factor income	38
9.	Residential investment	57
10.	Change in business inventories	87

Table 1

11. The value of personal consumption expenditure is _____.
    A. RM5 million
    B. RM15 million
    C. RM60 million
    D. RM65 million

12. The value of gross private investment is _____.
    A. RM144 million
    B. RM134 million
    C. RM87 million
    D. RM57 million

13. The value of government purchases is _____.
    A. RM33 million
    B. RM26 million
    C. RM27 million
    D. RM16 million

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Questions 14 to 16 refer to Table 2:

Product	2018		2019	
	Quantity	Price	Quantity	Price
Cookies	60	RM 6	85	RM 8
Bottles	120	RM 3	150	RM 6

Table 2

14. In an economy that produces cookies and bottles, the total value of nominal GDP in 2018 is _____.
    A. RM360
    B. RM420
    C. RM720
    D. RM1,040

15. Using 2018 as the base year, the total value of real GDP in 2019 for all product is _____.
    A. RM720
    B. RM840
    C. RM960
    D. RM1,580

16. The GDP Deflator for 2019 is _____.
    A. 138
    B. 125
    C. 108
    D. 110

17. Which of the following is an example of intermediate good?
    A. The flour that you bought to bake cake for your family.
    B. Chocolate bought by Yasmin for her students as a reward.
    C. Pizza sauce bought by Food Station to make pizza to sell in their store.
    D. A pair of shoes bought by a sports coach for personal use.

18. OneShoot Sdn. Bhd. produced 10 smartphones in 2018, 6 units were sold in 2018 and added 4 units to its inventories. The market value of the smartphone in 2018 was RM1,250. How much is the value of smartphones that should be counted in 2018's GDP?
    A. RM5,000
    B. RM7,500
    C. RM12,500
    D. RM15,00

Continued.....

19. Given personal income is RM80,000, personal taxes are RM15,000, transfer payment is RM25,000, the value of disposable income is _____.
    A. RM45,000
    B. RM65,000
    C. RM90,000
    D. RM120,000

20. Mimi received RM2,300 as year-end bonus, if the marginal propensity to spend (MPS) is 0.30, therefore, her consumption will increases by _____ and saving increases by _____.
    A. RM300, RM2,000
    B. RM2,000; RM300
    C. RM690; RM1,610
    D. RM1,610; RM690

21. Which of the following factor will **NOT** affect households spending behaviour?
    A. Income that households received
    B. Dividends from stock
    C. Households' wealth
    D. Households expectation about the economy in future

22. Spending for necessities when you do not receive any income is known as _____.
    A. luxury consumption
    B. investment consumption
    C. private consumption
    D. autonomous consumption

23. In a closed economy with no government, aggregate expenditure is equals to _____.
    A. marginal propensity to consume (MPC) + marginal propensity to save (MPS)
    B. saving plus investment
    C. consumption plus investment
    D. saving plus MPS

24. _____ refers to stock of goods a firm has that is awaiting for sales.
    A. Actual investment
    B. Planned investment
    C. Inventory
    D. Consumption

Continued.....

Questions 25 to 29 refer to Figure 1:

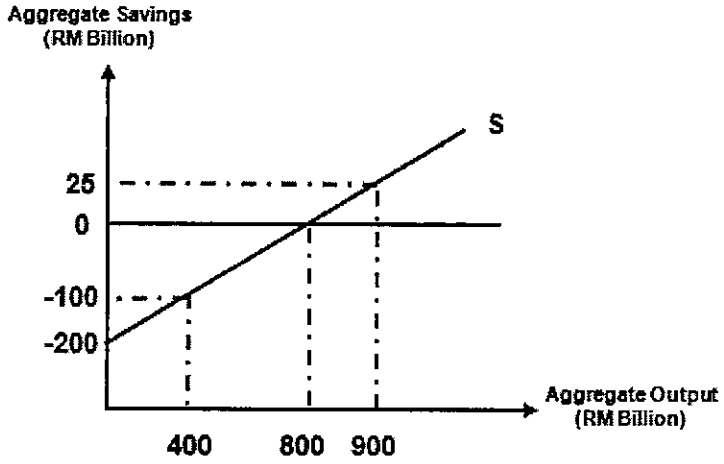

Figure 1

25. MPS is equal to _____.
    A. 0.25
    B. 0.75
    C. 0.20
    D. 0.40

26. MPC is equal to _____.
    A. 0.25
    B. 0.75
    C. 0.20
    D. 0.40

27. The consumption functions can be derived as _____.
    A. C = 100 + 0.25Y
    B. C = 200 + 0.75Y
    C. C = 200 + 0.25Y
    D. C = -100 + 0.75Y

28. If the aggregate income is RM2,800, the aggregate consumption will be _____.
    A. RM2,100
    B. RM2,300
    C. RM700
    D. RM500

29. If the aggregate income is RM3,200, the aggregate savings will be _____.
    A. RM600
    B. RM640
    C. RM2,400
    D. RM2,600

Continued.....

30. _____ is also known as budget policy.
    A. Monetary policy
    B. Fiscal policy
    C. Taxes policy
    D. Economic policy

31. The government budget of Malaysia is usually tabled _____ a year.
    A. once
    B. twice
    C. three times
    D. four times

32. A government has _____ when its government expenditure is greater than the revenue collected.
    A. investment surplus
    B. investment deficit
    C. budget surplus
    D. budget deficit

33. Which of the following equations is **CORRECT**?
    A. Net taxes = Collections of taxes - Subsidies
    B. Net taxes = Collections of taxes + Subsidies
    C. Net taxes = Collections of taxes + Payment of transfer payments
    D. Net taxes = Collections of taxes - Payment of transfer payments

34. In a 3-sector economy, the equation of equilibrium level of output can be derived as _____.
    A. $Y = C + S + T$
    B. $Y = C + I$
    C. $Y = C + I + G$
    D. $Y = C - I + G$

35. If the MPS is 0.40, the tax multiplier is _____.
    A. -1.75
    B. -1.5
    C. -2.5
    D. -0.5

36. If the tax multiplier is -2 and the taxes increase by RM2 million, the equilibrium output will _____.
    A. increase by RM4 million
    B. increase by RM6 million
    C. decrease by RM4 million
    D. decrease by RM6 million

Continued.....

Questions 37 to 40 refer to Table 3:

RM million				
Aggregate Output (Income)	Aggregate Consumption	Taxes	Planned Investment	Government Expenditures
200	300	150	80	120
600	600	150	80	120
1,000	900	150	80	120
1,400	1,200	150	80	120
1,800	1,500	150	80	120

Table 3

37. At the aggregate output level of RM1,000 million, the level of aggregate expenditures is _____.
    A. RM1,100 million
    B. RM1,130 million
    C. RM1,170 million
    D. RM1,250 million

38. At the aggregate output level of RM1,000 million, there is an unplanned inventory change of _____.
    A. -RM20 million
    B. -RM40 million
    C. -RM70 million
    D. -RM750 million

39. At the aggregate output of RM600 million, disposable income is _____.
    A. RM0
    B. RM450 million
    C. RM520 million
    D. RM480 million

40. The equilibrium achieved when the aggregate output at _____.
    A. RM600 million
    B. RM1,000 million
    C. RM1,400 million
    D. RM1,800 million

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SECTION B: Structured Questions (60 Marks)

QUESTION 1

Assets		Liabilities	
Reserve	RM2,200	Deposits	RM11,000
Loans	RM8,800		

Table 4

(a) Based on Table 4, calculate the following: -

(i) Money multiplier (2 marks)

(ii) Total money supply (2 marks)

(iii) Total money created (2 marks)

(iv) The new loans created if the required reserve ratio increases by 10%? (3 marks)

(b) List **FIVE (5)** functions of Bank Negara Malaysia. (5 marks)

(c) Name **TWO (2)** local commercial banks that are operating in Malaysia. (2 marks)

(d) Name **TWO (2)** overseas commercial banks that are operating in Malaysia. (2 marks)

(Total: 18 marks)

QUESTION 2

(a) Define inflation. (2 marks)

(b) Explain **THREE (3)** degrees of inflation. (6 marks)

(c) Explain **TWO (2)** types of inflation. (4 marks)

(Total: 12 marks)

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QUESTION 3

"Ong: Five foreign firms shut down from May to September"

12 December 2018, KUALA LUMPUR: Five manufacturing companies involving foreign investors closed down during the May-September period, involving investments worth RM308.7mil, said Deputy Trade and Industry Minister Ong Kian Ming. Subsequently, 362 local workers were also laid off following the closures which were due to business decisions and not because of the transition in the government, he said. "Other factors which led to foreign investors withdrawing their investments from Malaysia include the contraction in the global economy and market volatility resulting from the decline in demand and sales," he told the Dewan Rakyat yesterday. He was answering a question from Datuk Seri Ikmal Hisham Abdul Aziz (BN-Tanah Merah) on the number of foreign investors who had withdrawn their investments from the country and the value involved. Ong said the reasons for the closures included rising operational costs and lack of demand for products, forcing the investors to restructure their companies and business strategies, with some deciding to withdraw their overseas investments, including those in Malaysia. He said Malaysia's increasing focus on quality and high-tech investments, the technological shift towards digitalisation as well as rising labour costs had left investors, especially those involved in labour-intensive projects, unable to adjust their operations. As such, they faced difficulties in continuing their operations while maintaining their long term profits in the country. Ong said local workers who were laid off were offered sufficient compensation packages by the companies, which also cooperated with the Federation of Malaysian Manufacturers and other companies to rehire those about to be terminated.

Source: https://www.thestar.com.my/business/business-news/2018/12/12/ong-five-foreign-firms-shut-down-from-may-to-september/#exCes6VbqilWD3LQ.99

(a) Based on the above scenario,

(i) identify **FOUR (4)** reasons for foreign manufacturing firms to shut down. (4 marks)

(ii) which of the components in GDP will be affected most as a result of firms shut down? (1 mark)

(b) Which type of unemployment best explained those local workers who experienced the lost of their jobs? (2 marks)

(c) Apart from the answer from b), explain another **TWO (2)** types of unemployment with an example for each type. (6 marks)

(d) Define unemployment. (2 marks)

(Total: 15 marks)

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QUESTION 4

Year	Quantity of Labour L	Quantity of Capital K	Total Output Y	Labour Productivity Y/L	Growth Rate of Output
2015	2,232	4,185	6,706	i.	-
2016	2,256	4,327	6,243	ii.	vi.
2017	2,283	4,509	6,744	iii.	vii.
2018	2,398	5,021	7,052	iv.	viii.
2019	2,520	5,824	7,987	v.	ix.

Table 5

a) Based on the information from Table 5, compute the labour productivity and growth rate of output. (9 marks)

NOTE: Please write your answer in two (2) decimal points (if any).

Items	RM (million)
Goods exports	1,890
Goods imports	4,230
Exports of services	970
Imports of services	425
Investment income	805
Investment payments	512
Transfer income	210
Transfer payments	100

Table 6

b) Based on Table 6, calculate:

i. Balance on trade (3 marks)

ii. Balance on current account (3 marks)

(Total: 15 marks)

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